

UNITED STATES OF AMERICA  
CONSUMER PRODUCT SAFETY COMMISSION

In the Matter of  
FISHER PRICE, Inc  
a corporation

CPSC Docket No 01-~~C2002~~

SETTLEMENT AGREEMENT AND ORDER

1 This Settlement Agreement made by and between the staff ( the staff") of the U S Consumer Product Safety Commission (the Commission ) and Fisher Price Inc ( Fisher Price or Respondent ) a corporation, in accordance with 16 C F R § 1118.20 of the Commission s Procedures for Investigations Inspections, and Inquiries under the Consumer Product Safety Act ("CPSA ) is a settlement of the staff allegations set forth below

THE PARTIES

2 The Commission is an independent federal regulatory agency responsible for the enforcement of the Consumer Product Safety Act 15 U.S.C §§ 2051 2084

3 Respondent is a corporation organized and existing under the laws of the State of Delaware with its principal corporate offices located in East Aurora N.Y. Fisher Price designs and distributes toys and juvenile products In May

1994 the parent corporation of Fisher Price acquired Kransco the manufacturer of Power Wheels ride-on cars and trucks. Subsequently Fisher Price designed, marketed and distributed Power Wheels ride on cars and trucks.

#### STAFF ALLEGATIONS

4 Between 1994 and October 1998, Fisher Price distributed nationwide, and prior to that time Kransco manufactured and sold nationwide, a total of approximately 10 million battery powered Super 6 and 12 volt Power Wheels ride on toy cars and trucks (the "vehicle(s)") in nearly 100 different models. These vehicles are intended for children two to seven years old.

5 The vehicles are consumer product(s) and Respondent is a distributor of consumer product(s) which were distributed in commerce as those terms are defined in sections 3(a)(1), (5), (11) and (12) of the CPSA, 15 U.S.C. §§ 2052(a)(1), (5), (11) and (12).

6 The vehicles are defective because their electrical components can overheat, melt, short circuit, or otherwise fail and thereby cause fires. If this should occur, children and other consumers could suffer serious injuries or death. Additionally, wiring problems can prevent the vehicles from stopping, thereby creating the potential for collisions that could cause serious injury or death.

7 Between early 1995 and July 1998, Respondent received reports of more than 116 fires involving the vehicles and reports of more than 1,800 incidents of the vehicles' electrical components overheating, short circuiting, melting or failing. This resulted in at least nine minor burn injuries to children and

up to \$300 000 in property damage to 22 houses and garages. Moreover, Fisher Price was aware of at least 71 incidents involving the products' failure to stop, resulting in six minor injuries when the vehicles hit a car, truck, pole, window or fence.

8 Despite being aware of the information set forth in paragraphs 6 and 7 above, Fisher Price did not provide a written report to the Commission until March 1997, when it partially responded to the Commission staff's February 1997 request for a Full Report. However, Respondent did not fully comply with the staff's investigational requests until July 1998.

9 Although Respondent had obtained sufficient information to reasonably support the conclusion that these vehicles contained defects which could create a substantial product hazard or created an unreasonable risk of serious injury or death, it failed to report such information to the Commission as required by section 15(b) of the CPSA. By failing to report, Fisher-Price violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4).

10 Respondent committed this failure to report to the Commission "knowingly" as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d), and Respondent is subject to civil penalties under section 20 of the CPSA.

RESPONSE OF FISHER PRICE

11 Respondent denies that the vehicles contain defects which could create a substantial product hazard pursuant to section 15(a) of the CPSA 15 U.S.C. § 2064(a)

~~12~~ Respondent denies that it violated the reporting requirements of section 15(b) of the CPSA 15 U.S.C. § 2064(b)

13 Respondent denies that the information available to it reasonably supported the conclusion that the vehicles contained a defect which could create a substantial product hazard or created an unreasonable risk of serious injury or death and therefore no report was required under section 15(b) of the CPSA 15 U.S.C. § 2064(b)

14 Notwithstanding its denial that the vehicles contain a defect which could create a substantial product hazard and notwithstanding its denial that the vehicles create an unreasonable risk of serious injury or death Respondent, nevertheless cooperated with the staff in recalling the products

15 Respondent agrees to this Settlement Agreement and Order solely to avoid incurring additional legal costs and it does not constitute nor is it evidence of an admission of any fault any liability any violation of any law or any wrongdoing by Respondent

16 Respondent enters into this Agreement solely to settle the allegations of the staff that a civil penalty is appropriate

## ACREEMENT OF THE PARTIES

17 The Commission has jurisdiction over this matter and over Fisher Price under the CPSA 15 U S C §§ 2051 2084

18 Respondent agrees to pay to the order of the U S Treasury a civil penalty in the amount of one million one hundred thousand dollars (\$1 100 000) in settlement of this matter. The first payment in the amount of \$366 666 66 shall be made within twenty (20) calendar days of receiving service of the final Settlement Agreement and Order. The second payment in the amount of \$366 666 67 shall be made within six months of the date the first payment is due. A final payment in the amount of \$366 666 68 shall be made within one calendar year of the date the first payment is due. If Fisher Price fails to make a payment on schedule the unpaid balance of the entire civil penalty shall be due and payable and interest on the outstanding balance shall accrue and be paid at the federal legal rate of interest under the provisions of 28 U S C § 1961 (a) and (b) from the date payment was due.

19 This Settlement Agreement and Order is entered into for settlement purposes only and does not constitute findings by the Commission or an admission of any fault any liability any violation of any law or any wrongdoing by Respondent.

20 Fisher Price knowingly voluntarily and completely waives any rights it may have in the above-captioned case (i) to the issuance of a Complaint in this matter (ii) to an administrative or judicial hearing with respect to the staff's

allegations cited herein (ii) to judicial review or other challenge or contest of the validity of the Settlement Agreement or the Commission's Order (iv) to a determination by the Commission as to whether a violation of Section 15(b) or the CPSC Act has occurred, (v) to a statement of findings of fact and conclusions of law with regard to the staff's allegations and (vi) to any claims under the Equal Access to Justice Act

21 Upon provisional acceptance of this Settlement Agreement and Order by the Commission the Commission shall place this Settlement Agreement and Order on the public record and shall publish it in the *Federal Register* in accordance with the procedure set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written requests not to accept the Settlement Agreement and Order within 15 days the Settlement Agreement and Order shall be deemed finally accepted on the 16th day after the date it is published in the *Federal Register* in accordance with 16 C.F.R. § 1118.20(f).

22 This Settlement Agreement and Order becomes effective after its final acceptance by the Commission and service upon Respondent.

23 Upon final acceptance of this Settlement Agreement by the Commission the Commission may publicize the terms of the Settlement Agreement and Order.

24 Respondent agrees to the entry of the attached Order which is incorporated herein by reference and agrees to be bound by its terms.

25 This Settlement Agreement and Order is binding upon Fisher Price, its

parent its parent's subsidiaries and each of their successors or assigns with respect to Power Wheels

26 This Settlement Agreement and Order releases Fisher Price its parent and its ~~parent's~~ subsidiaries and each of their successors and assigns from any liability to the Commission under section 20 of the CPSA for a civil penalty arising from the allegations in paragraphs 4 through 10

27 Nothing in this Settlement Agreement and Order shall be construed to preclude the Commission from pursuing corrective action or other relief not described above

28 If after the effective date hereof any provision of this Settlement Agreement and Order is held to be illegal invalid or unenforceable under present or future laws effective during the terms of the Settlement Agreement and Order such provision shall be fully severable The rest of the Settlement agreement and Order shall remain in full effect unless the Commission and Fisher Price determine that severing the provision materially impacts the purpose of the Settlement Agreement and Order

29 This Settlement Agreement and Order shall not be waived changed amended modified or otherwise altered except in writing executed by the party against whom such amendment modification alteration or waiver is sought to be enforced and approved by the Commission

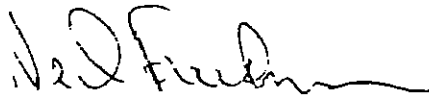
30 This Settlement Agreement may be used in interpreting the Order  
Agreements understandings representations or interpretations made outside of  
this Settlement Agreement and Order may not be used to vary or to contradict  
its terms

Fisher Price Inc

Dated

5/29/01

By



Neil Friedman

President & Chief Executive Officer

THE CONSUMER PRODUCT SAFETY COMMISSION

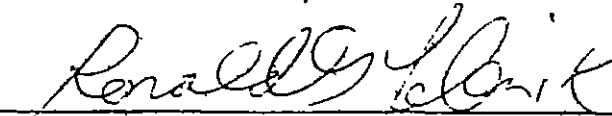
Alan H. Schoem Assistant Executive Director  
Office of Compliance

Eric L. Stone Director, Legal Division  
Office of Compliance

Dated

5/01

By



Ronald G. Yelenik Trial Attorney  
Legal Division  
Office of Compliance



UNITED STATES OF AMERICA  
CONSUMER PRODUCT SAFETY COMMISSION

\_\_\_\_\_  
In the Matter of  
FISHER PRICE Inc  
\_\_\_\_\_  
a corporation  
\_\_\_\_\_

CPSC Docket No 01 C0008

ORDER

Upon consideration of the Settlement Agreement between Respondent Fisher Price Inc a corporation and the staff of the Consumer Product Safety Commission and the Commission having jurisdiction over the subject matter and over Fisher Price Inc and it appearing the Settlement Agreement is in the public interest it is

ORDERED that the Settlement Agreement be and hereby is accepted and it is

FURTHER ORDERED that Fisher Price, Inc shall pay to the order of the U S Treasury a civil penalty in the amount of one million, one hundred thousand dollars (\$1 100 000), payable as follows \$366,666 66 within twenty (20) calendar days after service of this Final Order upon Fisher Price Inc \$366,666 67 within six months of the date the first payment is due and \$366 666 68 within one calendar year of the date the first payment is due


Fisher Price Inc  
CPSC Docket No 01 C0008

— Upon failing to make a payment on schedule, the unpaid balance or the entire civil penalty shall be due and payable and interest on the outstanding balance shall accrue and be paid at the federal legal rate of interest under the provisions of 28 U.S.C. § 1961 (a) and (b) from the date payment was due

Provisionally accepted and Provisional Order issued on the

7th day of June 2001

BY ORDER OF THE COMMISSION

  
Sadye E. Dunn Secretary  
Consumer Product Safety Commission